

Message Text

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ACTION EUR-12

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SUBJECT: TRADES UNION CONFERENCE SUPPORTS 12-MONTHS
RULE

1. ANNUAL CONFERENCE OF TRADES UNION CONGRESS VOTED
SEPTEMBER 7 BY UNEXPECTEDLY COMFORTABLE MARGIN OF 7.1
MILLION TO 4.3 MILLION TO ACCEPT TWELVE MONTHS SPACING
BETWEEN PAY INCREASES, ONE OF LABOR GOVERNMENT'S PRINCIPAL
POLICY WEAPONS AGAINST INFLATIONARY WAGE EXPLOSION.
OTHER MAIN ASPECT OF GOVERNMENT POLICY, THAT AVERAGE
EARNINGS INCREASE SHOULD NOT EXCEED TEN PERCENT, WAS
NOT SUBJECT OF TUC RESOLUTION.

2. CONFERENCE APPROVAL OF 12-MONTHS RULE WAS PERSONAL
TRIUMPH FOR PRIME MINISTER CALLAGHAN, WHOSE APPEAL TO
DELEGATES ON PREVIOUS DAY WAS WELL AND FOR MOST PART
RESPECTFULLY RECEIVED, AND FOR HUGH SCANLON, WHO HELD
ENGINEERING UNION'S BLOC VOTE TOGETHER DESPITE DEEP
SPLIT ON THIS ISSUE. CALLAGHAN'S SPEECH REITERATED HIS
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RECENT THEME THAT DECLINE IN REAL INCOME HAS REACHED
BOTTOM, THAT VICTORY IN BATTLE AGAINST INFLATION IS
WITHIN SIGHT, AND THAT GOVERNMENT CAN SOON TURN ATTENTION
FROM INFLATION TO UNEMPLOYMENT. ALTHOUGH CONFERENCE
CONTINUES TWO MORE DAYS, THIS VOTE WAS CENTER-
PIECE AND WHAT FOLLOWS IS ANTICLIMAX.

3. ENDORSEMENT OF 12-MONTHS RULE HAS BUOYED GOVERNMENT'S HOPES OF RESTRAINING INFLATIONARY PRESSURES DURING COMING MONTHS, ESPECIALLY IN KEY PUBLIC SECTOR, WHICH IS IMPORTANT IN ITSELF AND DOUBLY IMPORTANT AS EXAMPLE FOR PRIVATE SECTOR. DELEGATES' ACTION ALSO GAVE LONDON STOCK MARKET FURTHER BOOST.

4. DESPITE PUBLIC OPTIMISM, SOBER POLITICAL, BUSINESS AND FINANCIAL OBSERVERS ARE RESERVING JUDGMENT UNTIL THEY SEE (A) WHETHER UNIONS WHICH OPPOSED 12-MONTHS RULE NOW HONOR IT AND (B) WHETHER WAGE INCREASES EXCEED TEN PERCENT. ON FIRST QUESTION, MINERS, POLICE AND RAILWAY ENGINE DRIVERS OPPOSED 12-MONTHS RULE AND HAVE PUBLIC SECTOR WAGE CLAIMS LOOMING IN NEAR FUTURE. JACK JONES, WHO WAS FORCED TO CAST TRANSPORT WORKERS' VOTE AGAINST 12-MONTHS RULE, HAS DECLARED HE WILL WORK PERSONALLY TO SEE THAT LARGEST BRITISH UNION OBSERVES TUC RESOLUTION. IN PRIVATE CONVERSATIONS AT CONFERENCE, SENIOR UNION LEADERS WERE UNSURE OF THEIR ABILITY TO ENFORCE DECISION AT SHOP-FLOOR LEVEL. ON SIZE OF INCREASES, MOST INDEPENDENT OBSERVERS EXPECT THAT AVERAGE EARNINGS WILL INCREASE AT LEAST FIFTEEN TO SEVENTEEN PERCENT AND WOULD CONSIDER ANYTHING LESS A MAJOR ACHIEVEMENT FOR THE GOVERNMENT.

5. COINCIDENTALLY, LEADERS OF THE CBI MET A FEW HOURS
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AFTER TUC VOTE WITH CHANCELLOR HEALEY AND ROY HATTERSLEY, THE PRICES SECRETARY, AT A PRIVATE DINNER GIVEN BY THE CBI AT ITS LONDON HEADQUARTERS. CBI LEADERS REPORTEDLY CONSIDERED THAT THE TUC DECISION HAD BEEN A "VOTE OF SANITY" BUT THEY STRESSED IT WAS A PITY THAT THERE HAD BEEN NO MENTION OF THE GOVERNMENT'S OVERALL EARNINGS TARGET OF 10 PERCENT. IN ADDITION, THE CHANCELLOR, WHO WE UNDERSTAND WAS IN AN EBULLIENT MOOD, WAS CAUTIONED BY THE CBI LEADERS AGAINST INTRODUCING EARLY REFLATIONARY MEASURES TO PLACATE THE UNIONS. THE COMING MONTHS ARE BOUND TO SEE MAJOR DECISIONS WITHIN HM GOVERNMENT ON THE QUESTION OF REFLATION; WHAT REMAINS TO BE SEEN IS HOW SOON, HOW MUCH, ITS INFLATIONARY IMPACT, AND THE POSSIBLE ATTENDANT DAMAGE TO INTERNATIONAL CONFIDENCE IN THE POUND THAT MIGHT RESULT.

BREWSTER

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